

# The More the Merrier

BY AARON STEELMAN

In October 1999, the world's population surpassed 6 billion. You might have expected people to rejoice over this development. After all, it meant that the human condition was no longer "solitary, poor, nasty, brutish, and short," as Thomas Hobbes famously put it. Indeed, mankind had come a long way: infant mortality rates had dropped, life spans had increased, and prosperity had spread to areas of the world where despair had once been common.

But, instead, many observers viewed this historic event as cause for alarm. For instance, Lester Brown, head of the Earth Policy Institute, claimed that without "clearly defined strategies by governments in countries with rapid population growth to quickly lower birth rates and a commitment by the international community to support them, one-third of humanity could slide into a demographic dark hole."

Such arguments are hardly new. The classical economist Thomas Robert Malthus predicted that the rate of population growth would exceed the rate of growth of the means of subsistence. In other words, population expansion would lead to mass starvation. Malthus, of course, was wrong. In those rare cases in which famine was a serious problem during the 20th century, despotic governments were often to blame.

So how should we look at population growth: boon or bane? This question, like many others, is hard to answer in black-and-white terms. But, on balance, population growth tends to be positive for the economy.

Increased population can create economies of scale. That means "that more people constitute bigger markets, which can often be served by more efficient production facilities. And increased population density can make economical the building of transportation, communication, educational systems, and other kinds of 'infrastructure' that are uneconomical for a less-dense population," wrote the late economist Julian Simon of the University of Maryland.

Economists Marvin Goodfriend of the Richmond Fed and John McDermott of the University of South Carolina have developed a model of early economic development in which population growth plays a key role, much like Simon described. "Population must grow to a threshold before our economy can support an urban-market sector. After this

sector appears, rising population continues to shift effort from the household to the market sector because the latter is more efficient at larger scales of operation. The pace of urbanization is dictated by the rate of population growth in the preindustrial economy," they write.

"Population must attain a second critical level to get industrial growth going. The human-capital or knowledge accumulation that characterizes modern industrial growth does not begin until market size has expanded the range of specialized goods sufficiently to make routine innovation worthwhile. Market size, perhaps through trade, is a necessary precondition for industrialization."

All right, one might argue, population growth was good for the West centuries ago, but it surely isn't good for the poorest parts of the world today, right? Perhaps. But Nicholas Eberstadt of the American Enterprise Institute has challenged such thinking. "In the 1990s, sub-Saharan Africa was estimated to have the world's very highest rate of population growth — the United Nations Population Division put its pace at over 2.5 percent a year for the period 1995-2000 — and sub-Saharan Africa is clearly a troubled area these days. However, if we look back in history, we discover that the United States had an even higher rate of population growth at the end of the 18th century," he notes. "Some today may believe that sub-Saharan Africa has too many people — but would they say the same about early frontier America?"

Eberstadt argues that it is a mistake to assume that poverty is a "population problem" simply because it is manifest in large numbers of people. There are many reasons why sub-Saharan Africa is poor — corrupt governments, poorly defined property rights, and so on — but population growth is not near the top of the list. Indeed, it may not make the list at all.

Opponents of population growth often "mention a greater number of mouths coming into the world, and even more pairs of hands, but they never mention more brains arriving," Simon argued. This is a crucial point. More people mean more ideas — and ideas are, in many ways, the lifeblood of today's economy. We should look at population growth as a positive development. Or, at the very least, not as the catastrophe that many people claim.

RF

## Estimate of World Population (in millions)

Year	People
1000	310
1250	400
1500	500
1750	790
1800	980
1850	1,260
1900	1,650
1950	2,520
2000	6,079

SOURCES: United Nations (1000 to 1950 data) and U.S. Census Bureau (2000 data)